



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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FILE COPY

August 3, 2012

Aaron Henning, Executive Director
Harambee Youth Training Partnership
1142 Hodiamont
St. Louis, MO 63112

RE: Community Development Block Grant (CDBG) (Project #2012-CDA28)

Dear Mr. Henning:

Enclosed is a report of the fiscal monitoring review of the Harambee Youth Training Partnership, a not-for-profit organization, CDBG Program, for the period January 1, 2011, through December 31, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Harambee Youth Training Partnership. Fieldwork was completed on March 1, 2012.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**HARAMBEE YOUTH TRAINING PARTNERSHIP
CONTRACT #11-11-93
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

PROJECT #2012-CDA28

DATE ISSUED: AUGUST 3, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
HARAMBEE YOUTH TRAINING PARTNERSHIP
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: Harambee Youth Training Partnership
Contract Number: 11-11-93
Contract Period: January 1, 2011 through December 31, 2011
CFDA Number: 14.218
Contract Amount: \$97,805

The contract provided Community Development Block Grant (CDBG) funds to Harambee Youth Training Partnership (Agency) to train youth in the St. Louis area by providing an opportunity for them to gain both personal character development and necessary work experience.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2011, through December 31, 2011, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA). Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on March 1, 2012.

Exit Conference

The Agency was provided the opportunity for an exit conference, but was declined.

Management's Response

The management's response to the observation and recommendation identified in the draft report was received from the Agency on June 11, 2012. The response has been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-CDA28 issued September 13, 2011, contained one observation:

- Opportunity to address going concern issue **(Repeated)**

A-133 Status

According to a letter received from the Agency dated February 16, 2012, it did not expend \$500,000 or more in federal funds for its calendar year ended December 31, 2011; therefore, it was not required to have a single audit in accordance with OMB Circular A-133.

Summary of Current Observations

A recommendation was made for the following observation, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements.

- Opportunity to address going concern issue

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity To Address Going Concern Issue

Based on the agency's financial statements for the last three years, the Agency appears to have a going concern issue.

The Agency's Balance Sheets as of December 31, 2009, 2010, and 2011 show negative working capital (excess of current liabilities over current assets). The Agency's income statements for the respective years showed net losses as follows:

Description	December 31, 2009	December 31, 2010	December 31, 2011
Working Capital	(\$78,165.69)	(\$6,955.59)	(\$11,660.52)
Net Income	(\$72,630.78)	(\$2,201.98)	(\$7,597.71)

Going concern measures the entity's ability to stay operational for the foreseeable future by continuing to realize assets and discharge liabilities in the normal course of business, and generate sufficient resources to stay operational. Positive working capital, an excess of current assets over current liabilities, and excess of income over expenditures provide evidence that an entity will stay a going concern for the foreseeable future.

The Agency does not have budgetary controls in place to ensure its operating expenses do not exceed its revenues.

An uncertainty over the Agency's ability to continue in operation for the foreseeable future may limit the Agency's ability to provide the services to the community as required by the grant contract. It may also lead funding sources to discontinue funding the Agency.

Recommendation

It is recommended that the Agency implement budgetary controls to ensure its expenses do not exceed its revenues. In addition, the Agency needs to seek additional funding sources to meet operational requirements to achieve a positive financial outlook.

Management's Response

We do not entirely agree with some of the observations regarding the going concern issue for our organization.

Regarding budgetary controls: Our Executive Director, Director of Operations, and Administrator meet weekly to assess our position and make decisions for the weeks and months ahead. Our corporate board and advisory committee meet several times per year to review our financial situation and make recommendations. In addition, every purchase over \$250 requires a purchase order approved by executive staff. We very

carefully watch our cash flow-updating projections regularly-and we do not exceed our budgeted expenses unless it is deemed necessary by our executive staff. In some cases, we have decreased our budget and restructured our programming when we felt the income might not be forthcoming.

Regarding additional funding sources: *We will continue to pursue an even more diverse pool of funding resources than we already have. In 2011, CDA funding represented just 10% of our annual income, with the remaining met through the Affordable Housing Trust Fund, private grant foundations, churches, businesses, individuals, and donations by Missouri businessmen for AHAP tax credits administered by the state.*

The net income per calendar year should be viewed with the following circumstances in mind:

- a. One of our three programs does not run on a calendar year, but follows the school year. Because our application to CDA requires us to submit a budget for the following calendar year in September, we have not even begun the upcoming program before we are expected to present a budget for the program beginning another year later. As a result, once our program is completed in April, we often revise our budget mid-year for the program beginning again in the fall, based on our experience.*
- b. Our net income in 2011, (\$7,597.71), represents less than 1% of our annual expenditures.*